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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

ROBERT "BOB" BURNS - Chairman
BOYD DUNN
SANDRA D. KENNEDY
JUSTIN OLSON
LEA MÁRQUEZ PETERSON

Arizona Corporation Commission

DOCKETED

SEP 11 2019

DOCKETED BY

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In the matter of:

RONALD HORN, an unmarried man,

DANIEL RONDBERG, and JENNIFER
RONDBERG, husband and wife,

RANDY RONDBERG, and KATHERINE
RONDBERG, husband and wife,

JASON WALTER, and SAMANTHA
WALTER, husband and wife,

JOHN WALTER, and JANIS WALTER,
husband and wife, and

TRAGER, L.L.C., an Arizona limited
liability company.

Respondents.

DOCKET NO. S-21038A-18-0022

DECISION NO. 77397

**ORDER TO CEASE AND DESIST, ORDER
FOR DISGORGEMENT, ORDER FOR
ADMINISTRATIVE PENALTIES AND
CONSENT TO SAME
BY: RESPONDENTS RANDY RONDBERG
AND KATHERINE RONDBERG**

Respondents Randy Rondberg and Katherine Rondberg ("Respondents") elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order to Cease and Desist, Order for Disgorgement, Order for Administrative Penalties and Consent to Same ("Order"). Respondents admit the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of this Order by the Commission solely for the purpose of settling this proceeding.

I.

FINDINGS OF FACT

1. Since at least February 18, 2015, Randy Rondberg ("Rondberg") has been a married man and an Arizona resident and has not been registered by the Commission as a securities salesman or dealer. Respondent Rondberg has been licensed as an Arizona insurance producer since at least February 18, 2015.

2. Katherine Rondberg ("Respondent Spouse") has been the spouse of Respondent Rondberg since at least February 18, 2015. Respondent Spouse is joined in this action under A.R.S. §44-2031(C). At all relevant times, Respondent Rondberg was acting for his own benefit and on behalf of and for the benefit of the marital community.

3. Trager, L.L.C. ("Trager") is a limited liability company organized under the laws of the state of Arizona on November 3, 2003. Since at least February 18, 2015, Randolph Rondberg has been the sole manager and member of Trager. Trager has not been registered by the Commission as a securities salesman or dealer. Trager uses the trade name "Nation's First Financial."

4. Respondent Rondberg and Trager sold securities issued by Woodbridge Mortgage Investment Fund 2, LLC ("Fund 2"), Woodbridge Mortgage Investment Fund 3, LLC ("Fund 3"), and/or Woodbridge Mortgage Investment Fund 3A, LLC (collectively, "the Woodbridge Funds").

5. The Woodbridge Funds were commercial lenders that made hard-money loans secured by commercial property. The Woodbridge Funds raised money from investors to help fund the hard-money loans. The Woodbridge Funds referred to these investments as First Position Commercial Mortgages ("FPCMs").

6. From approximately February 18, 2015, to approximately October 4, 2016, Respondent Rondberg sold approximately 37 FPCMs to primarily Arizona investors, raising approximately \$2,218,000 for the Woodbridge Funds. Respondent Rondberg received sales commissions for his FPCM sales totaling approximately \$31,602.84.

1 7. An FPCM consisted of a promissory note from a Woodbridge Fund, a loan agreement,
2 and a non-exclusive assignment of the Woodbridge Fund's security interest in the mortgage for the
3 underlying hard-money loan. The Woodbridge Funds pooled money from multiple investors for each
4 hard-money loan. If a Woodbridge Fund defaulted on its promissory note to an investor, the FPCM
5 assignment documents required it to pay to the investor any payments the Woodbridge Fund received
6 from the underlying hard-money borrower.

7 8. The FPCMs were securities in the form of notes, investment contracts, and real
8 property investment contracts.

9 9. On May 4, 2015, a Consent Order (the "Massachusetts Order") was entered by the
10 Massachusetts Securities Division against Woodbridge Mortgage Investment Fund 1, LLC ("Fund
11 1"), Fund 2, and Fund 3. Fund 1, Fund 2, and Fund 3 had submitted an Offer of Settlement to the
12 Massachusetts Securities Division on April 29, 2015, to resolve its investigation into whether their
13 sales of unregistered FPCMs to Massachusetts residents violated the Massachusetts Uniform
14 Securities Act, Mass. Gen Laws ch. 110A. Fund 1, Fund 2, and Fund 3 admitted the Statement of
15 Facts set forth in Section VI of the Massachusetts Order, neither admitted nor denied the Violations
16 of Law set forth in Section VII of the Massachusetts Order, "and consent[ed] solely for the purpose
17 of these proceedings to the entry of this Order by the Division, consistent with the language and terms
18 of the Offer, settling the claims brought hereby with prejudice."

19 10. Fund 1, Fund 2, and Fund 3 settled the Massachusetts investigation before any
20 proceeding was filed against them by consenting, in the Massachusetts Order, to findings that they
21 sold unregistered securities. The Massachusetts Order also required them to offer rescission to
22 Massachusetts investors and pay a civil penalty of \$250,000.

23 11. The Massachusetts Order did not find that Fund 1, Fund 2, and Fund 3 had violated
24 any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct.

1 12. On July 17, 2015, the Texas Securities Board issued an emergency cease and desist
2 order (the "First Texas Order") against Fund 3, Robert H. Shapiro ("Shapiro"), as the person
3 controlling Fund 3, and others who promoted and sold FPCMs in Texas.

4 13. The First Texas Order alleged, among other things, that Fund 3 and Shapiro had
5 offered and sold unregistered securities without being registered to sell them and were engaged in
6 fraud in connection with the offer for sale of securities.

7 14. On March 18, 2016, the Texas Securities Board issued an order that set aside the First
8 Texas Order. This order, to which Fund 3 and Shapiro consented, was titled: "Agreed Order Setting
9 Aside Order No. ENF-15-CDO-1740" (the "Texas Agreed Order").

10 15. The Texas Agreed Order contained Conclusions of Law that the FPCMs were
11 securities and that Fund 3 and Shapiro offered them at a time when the securities were not registered
12 with the Texas Securities Commissioner.

13 16. The Texas Agreed Order did not find that Fund 3 or Shapiro had violated any laws or
14 regulations that prohibit fraudulent, manipulative, or deceptive conduct.

15 17. Respondent Rondberg and Trager omitted to inform at least one of his Arizona FPCM
16 investors before they invested of the Massachusetts Order, the First Texas Order, and/or the Texas
17 Agreed Order.

18 18. On October 4, 2016, the Commission issued an order against the Woodbridge Funds,
19 Fund 1, WMF Management, LLC, Woodbridge Group of Companies, LLC, Shapiro, Robert W.
20 Carfagno, Sr. and his spouse, AIO Financial LLC, and William M. Holliday and his spouse.

21 19. The order was titled "Temporary Order to Cease and Desist and Notice of Opportunity
22 for Hearing" (the "Temporary Order").

23 20. The Temporary Order alleged a number of securities violations by the respondents
24 and ordered the respondents to cease and desist from committing any violations of the Securities Act.

25 21. On December 4, 2017, the Woodbridge Funds and numerous affiliated entities filed
26 for protection under the U.S. Bankruptcy Code, Chapter 11.

1 10. Respondent Rondberg's conduct is grounds for administrative penalties pursuant to
2 A.R.S. § 44-2036.

3 11. Respondent Rondberg acted for his own benefit and on behalf of and for the benefit
4 of the marital community and this Order is a debt of the community.

5 **III.**

6 **ORDER**

7 THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondents'
8 consent to the entry of this Order, attached and incorporated by reference, the Commission finds that
9 the following relief is appropriate, in the public interest, and necessary for the protection of investors:

10 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondent Rondberg, and any of his
11 agents, employees, successors and assigns, permanently cease and desist from violating the Securities
12 Act.

13 IT IS FURTHER ORDERED that Respondents comply with the attached Consent to Entry
14 of Order.

15 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondent Rondberg, as
16 his sole and separate obligation, and Respondent Rondberg and Respondent Spouse, as a community
17 obligation, shall pay disgorgement to the Commission in the amount of \$31,602.84 to correct the
18 conditions resulting from the conduct set forth in the Findings of Fact and Conclusions of Law.
19 Payment shall be made to the "State of Arizona."

20 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036 that Respondent Rondberg, as
21 his sole and separate obligation, and Respondent Rondberg and Respondent Spouse, as a community
22 obligation, shall pay an administrative penalty in the amount of \$5,000 as a result of the conduct set
23 forth in the Findings of Fact and Conclusions of Law. Payment shall be made to the "State of
24 Arizona."

25 IT IS FURTHER ORDERED that \$15,914.28 of the disgorgement obligation is due in full
26 on the date of this Order.

1 IT IS FURTHER ORDERED that the balance of the disgorgement obligation and the penalty
2 obligation shall be due and payable in twelve equal monthly installments beginning on the first day
3 of the month following the date of this Order and continuing on the first day of each month thereafter.

4 For purposes of this Order, a bankruptcy filing by Respondent shall be an act of default. If
5 Respondents do not comply with this Order, any outstanding balance may be deemed in default and
6 shall be immediately due and payable.

7 IT IS FURTHER ORDERED that in the event of default, any amount outstanding of the
8 disgorgement obligation and/or penalty obligation shall be immediately due and payable and shall
9 accrue interest, retroactive to the date of this Order, at the rate of the lesser of (i) ten percent per
10 annum or (ii) at a rate per annum that is equal to one per cent plus the prime rate as published by the
11 board of governors of the federal reserve system in statistical release H. 15 or any publication that
12 may supersede it on the date that the judgment is entered.

13 IT IS FURTHER ORDERED, that if Respondents fail to comply with this order, the
14 Commission may bring further legal proceedings against Respondents, including application to the
15 superior court for an order of contempt.

16 IT IS FURTHER ORDERED, that no finding of fact or conclusion of law contained in this
17 Order shall be deemed binding against any Respondent under this Docket Number who has not
18 consented to the entry of this Order.

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IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN BURNS

COMMISSIONER DUNN

COMMISSIONER KENNEDY

COMMISSIONER OLSON

COMMISSIONER MÁRQUEZ PETERSON



IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT,
Executive Director of the Arizona Corporation Commission,
have hereunto set my hand and caused the official seal of the
Commission to be affixed at the Capitol, in the City of Phoenix,
this 11th day of September, 2019.

MATTHEW J. NEUBERT
EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Kacie Cannon, ADA Coordinator,
voice phone number (602) 542-3931, e-mail kcannon@azcc.gov.

(PSK)

CONSENT TO ENTRY OF ORDER

1. Respondents admit the jurisdiction of the Commission over the subject matter of this proceeding. Respondents acknowledge that Respondents have been fully advised of Respondents' right to a hearing to present evidence and call witnesses, and Respondents knowingly and voluntarily waive any and all rights to a hearing before the Commission and all other rights otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona Administrative Code. Respondents acknowledge that this Order to Cease and Desist, Order for Disgorgement, Order for Administrative Penalties and Consent to Same ("Order") constitutes a valid final order of the Commission.

2. Respondents knowingly and voluntarily waive any right under Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief resulting from the entry of this Order.

3. Respondents acknowledge and agree that this Order is entered into freely and voluntarily and that no promise was made or coercion used to induce such entry.

4. Respondent Rondberg and Respondent Spouse have been represented by an attorney in this matter, they have reviewed this order with their attorney, Paul Roshka of Polsinelli PC, and they understand all terms it contains. Respondent Rondberg and Respondent Spouse acknowledge that their attorney has apprised them of their rights regarding any conflicts of interest arising from dual representation. Respondent Rondberg and Respondent Spouse acknowledge that they have each given their informed consent to such representation.

5. Respondents neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order and consent to the entry of this Order by the Commission solely for the purpose of settling this proceeding. Respondents agree that they shall not contest the validity of the Findings of Fact and Conclusions of Law contained in this Order in any present or future proceeding in which the Commission is a party.

6. Respondents further agree that they shall not deny or contest the Findings of Fact and Conclusions of Law contained in this Order in any present or future: (a) bankruptcy proceeding, or

1 (b) non-criminal proceeding in which the Commission is a party (collectively, "proceeding(s)").
2 They further agree that in any such proceedings, the Findings of Fact and Conclusions of Law
3 contained in this Order may be taken as true and correct and this Order shall collaterally estop them
4 from re-litigating the accuracy of the Findings of Fact and Conclusions of Law contained in this
5 Order. In the event Respondent Rondberg and/or Respondent Spouse pursues bankruptcy protection
6 in the future, they further agree that in such bankruptcy proceeding, pursuant to 11 U.S.C. §
7 523(a)(19), the following circumstances exist:

8 A. The obligations incurred as a result of this Order are a result of the conduct set forth
9 in the Findings of Fact and Conclusions of Law in the Order and are for the violation of Arizona
10 state securities laws, pursuant to 11 U.S.C. § 523(a)(19)(A)(i);

11 B. This Order constitutes a judgment, order, consent order, or decree entered in a state
12 proceeding pursuant to 11 U.S.C. § 523(a)(19)(B)(i), a settlement agreement entered into by
13 Respondent Rondberg and Respondent Spouse pursuant to 11 U.S.C. § 523(a)(19)(B)(ii), and a court
14 order for damages, fine, penalty, citation, restitution payment, disgorgement payment, attorney fee,
15 cost or other payment owed by Respondent Rondberg and Respondent Spouse pursuant to 11 U.S.C.
16 § 523(a)(19)(B)(iii).

17 7. By consenting to the entry of this Order, Respondents agree not to take any action or
18 to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of
19 Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual
20 basis.

21 8. While this Order settles this administrative matter between Respondents and the
22 Commission, Respondents understand that this Order does not preclude the Commission from
23 instituting other administrative or civil proceedings based on violations that are not addressed by this
24 Order.

1 9. Respondents understand that this Order does not preclude the Commission from
2 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
3 that may be related to the matters addressed by this Order.

4 10. Respondents understand that this Order does not preclude any other agency or officer
5 of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal
6 proceedings that may be related to matters addressed by this Order.

7 11. Respondent Rondberg agrees that he will not apply to the state of Arizona for
8 registration as a securities dealer or salesman or for licensure as an investment adviser or investment
9 adviser representative until such time as all disgorgement and penalties under this Order are paid in
10 full.

11 12. Respondent Rondberg agrees that he will not exercise any control over any entity that
12 offers or sells securities or provides investment advisory services within or from Arizona until such
13 time as all disgorgement and penalties under this Order are paid in full.

14 13. Respondent Rondberg and Respondent Spouse acknowledge that any disgorgement
15 or penalty obligations imposed by this Order are community obligations.

16 14. Respondents consent to the entry of this Order and agree to be fully bound by its terms
17 and conditions.

18 15. Respondents acknowledge and understand that if Respondents fail to comply with the
19 provisions of the Order and this consent, the Commission may bring further legal proceedings against
20 Respondents, including application to the superior court for an order of contempt.

21 16. Respondents understand that default shall render Respondents liable to the
22 Commission for its costs of collection, including reasonable attorneys' fees and interest at the
23 maximum legal rate.

24 17. Respondents agree and understand that if Respondents fail to make any payment as
25 required in the Order, any outstanding balance shall be in default and shall be immediately due and
26

1 payable without notice or demand. Respondents agree and understand that acceptance of any partial
2 or late payment by the Commission is not a waiver of default by the Commission.

3
4 
5 Randy Rondberg

6 
7 Katherine Rondberg

8 STATE OF ARIZONA)
9 County of Maricopa) ss

10 SUBSCRIBED AND SWORN TO BEFORE me this 7 day of August, 2019.



13 
14 NOTARY PUBLIC

15 My commission expires:

16 November 23, 2022

SERVICE LIST FOR: In re: RONALD HORN et al., DOCKET NO. S-21038A-18-0022

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